



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/11/2002

GAIN Report #RO2011

Romania

Grain and Feed

Update - July

2002

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Report Highlights:

Extreme dryness in Romania has contributed to low yields for both winter barley and wheat for the 2002/03 crop. Harvested area is estimated at 296,000 HA for barley and 2.24 million HA for wheat. Post has revised down figures for yields to 2.2 MT/HA and 1.9 MT/HA respectively. The grain industry is expecting to import significant quantities of wheat and flour in the coming months, as this year's crop seems to be of a poor milling quality.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1], RO

Weather

Severe draught conditions in spring and summer, following a winter dry spell, have hurt grain and feed crop development in Romania. Currently, the National Meteorological Institute is reporting moisture deficits in all cereal growing areas, peaking at 1600-2100 cubic meters/ha in the south – east (Dobrogea, Baragan) and in the western (parts of Banat, Oltenia) and eastern plains (Moldova). The April rainfalls were timely, aiding the development of corn, but negatively impacted on quality in the case of wheat.

Barley

Barley harvesting is reported to be 90% completed to date. The official yield average estimate stands at 2.2 MT/HA, on a total 296,000 HA to be harvested, resulting in a total output expected to hardly exceed 650,000 MT. There are important discrepancies in yields among different regions of the country, ranging from 0.6 MT/HA in Oltenia South West to 2.7 -3 MT/HA in North-East (Arad, Satu Mare).

Barley from the MY2002 crop was below local standards (54-58% hectoliter weight, as compared to 62-64%), so exporters will not be able to acquire large homogenous lots from the market. Current FOB prices in Constantza port are \$85-86/MT, corresponding to farm gate prices of about \$70-75/MT.

Barley stocks are nearly exhausted and the recovery in the poultry sector will likely result in an increased demand for corn (since barley is scarce) in the coming year.

Wheat

The MY 2001/2002 wheat harvest in Romania began in late June and is expected to be completed by the end of August. Post estimates this year's wheat crop will average yields of 1.9 MT/hectare, since most of the wheat is grown in the drought-affected regions (in the southern and western plains), with a total production forecast at 4 MMT (as compared to the official forecast of 5 MMT).

More than in the previous year, milling quality wheat does not meet Romania's standards, as reported by traders and industry representatives. Romanian wheat is sensitive to weather conditions. Quality wheat is defined by local standards as having a gluten content of 20-26 percent and protein of 11-13 percent. It is thus reasonable to expect significant imports of wheat for blending and wheat flour over the current marketing year (traditionally from Hungary), despite the official position that Romania is going to be self-sufficient for this product. Mill demand stands at about 3.4 MMT. The Ministry of Agriculture reports existing inventories of about 2 MMT of wheat (30% higher than AgBucharest's estimate), but stocks are mostly feed quality.

Moreover, according to Government officials, Romania could expect to export 1.0 million tons of wheat about \$110/ton, in order to cover the “cost of production”. Producers are unhappy with the current domestic prices of about \$85/MT. Thus the Ministry of Agriculture will provide storage subsidies for 1.5 MMT of milling wheat from now through MY 2003 harvest (amounting to roughly \$9 million from the FY02 budget and, respectively, 2.5 million from the FY03 budget). These subsidies are expected to contribute to substantial seasonal price increases, the rewarding "commercial" producers, who are eligible. Under this approach the farmer has a choice at harvest time of selling at the market price or placing the grain in storage at no cost, based on a the newly passed piece of legislation on warehouse receipts. The GOR would like to provide seasonal price stabilization via a direct payment scheme, under which the equivalent of about \$28 million is to be allocated for 3.5 MMT of wheat.